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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001359

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E.O. 12958: DECL: 12/14/2017
TAGS: [PREL](#) [ECON](#) [ENERG](#) [EPET](#) [SOCI](#) [TX](#)
SUBJECT: RUSSIAN DCM PLAYS UP GREAT GAME TO EXPLAIN U.S.
INTERESTS IN TURKMENISTAN

REF: A. ASHGABAT 1297

- [1](#)B. MOSCOW 5563
- [1](#)C. KYIV 2939
- [1](#)D. ASHGABAT 1222

Classified By: CHARGE SYLVIA REED CURRAN FOR REASONS 1.4 (B) AND (D).

[1](#)1. (C) SUMMARY: In what was supposed to be a briefing by Russian DCM Aleksey Demin on the recent visit of Prime Minister Viktor Zubkov to Turkmenistan, we instead got an earful regarding American favoritism toward Ukraine and the U.S. hidden agenda on a trans-Caspian pipeline. He also alleged that the United States was fearful of Russian companies' activity in Turkmenistan. He said the only reason Turkmenistan struck a gas deal with the Chinese was to have better leverage in negotiating a gas deal with Russia. Demin asserted that part of the reason for the Turkmen negotiating for a higher price for their gas is that President Berdimuhamedov needs more money for reforms and other projects. Demin revealed that an announced future signing of a packet of Russian-Turkmenistan bilateral agreements was less than meets the eye, because officials have yet to put anything together. While Demin's conspiratorial allegations regarding U.S. policy in Turkmenistan are ridiculous, it probably gives us some insight into what the Russians tell the Turkmen about U.S. intentions. END SUMMARY.

WHY THE INCREASE IN THE PRICE OF GAS

[1](#)2. (C) We met December 6 with Russian Embassy DCM Aleksey Mihaylovich Demin to get more insight into the visit of Prime Minister Viktor Zubkov and recent negotiations between Russia and Turkmenistan (Ref. A). Demin outlined the new gas price deal signed during the visit whereby Gazprom agreed to \$130 per thousand cubic meters (tcm) effective January 1, 2008 and \$150 tcm effective July 1, 2008. Demin said there were several reasons for the price increase. First of all, the

dollar has decreased in value. With the price denominated in dollars, it was necessary to reflect that change. Secondly, there has been an increase in the price of gas globally. Thirdly, Demin said it was necessary for Russia to equalize the price of gas it was getting from various sources in Central Asia - Kazakhstan, Uzbekistan, and Turkmenistan. He noted Gazprom paid \$145 tcm for Kazakh gas. Demin said the last and most important reason for the price increase is that President Berdimuhamedov has projects and is conducting new reforms and needs money to implement them.

NEW GREAT GAME

¶3. (C) Demin quickly turned to U.S. interests regarding Central Asian gas and gave his interpretation of U.S. policy. He said he knew that the U.S. presidential elections will take place in 2008 and that is the calculus driving U.S. plans in the region. Relations between the U.S. and Iran are not good. However, business and the economy will play a bigger role in the elections than U.S. military ambitions in the region, especially toward Iran. He noted it was interesting that the U.S. pays so close attention to the issue of Turkmenistan gas, when none of the gas reaches U.S. shores. The reason is the U.S. worries about its good friend Ukraine and does not want an increase in the price of gas that goes on to the European market, especially to "its good friend Ukraine." Further insinuating nefarious U.S. motives, Demin said that Russia, unlike some countries (read United States) will never hide its plans about what it wants to do, especially about building gas pipelines.

¶4. (C) Demin said he understood that the "American friends" very much want a trans-Caspian pipeline and oppose a littoral

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pipeline that would take more gas through Russia. However, a trans-Caspian pipeline is not feasible. Poor relations between Azerbaijan and Turkmenistan prevent that pipeline from being built. The unresolved delimitation of the Caspian Sea also will preclude its construction. It would be possible, he said, to build a pipeline through Iran to take gas to Europe, but the United States would thwart it. Therefore, the only good, stable way to bring Turkmen gas to Europe is the littoral option. Demin stressed there was no need to fear Russian companies' activity in Turkmenistan. He pointed out that Lukoil does not have the technology to work alone offshore and must collaborate with other companies, including American ones. (COMMENT: Such as ConocoPhillips. As noted Ref D, Lukoil and ConocoPhillips are teaming together to strike a deal with Turkmenistan to work three offshore blocks. although most observers believe that a production sharing agreement is imminent, it has not yet been signed. END COMMENT.)

¶5. (C) COMMENT: Demin's allegations were nonsense, and we protested that his interpretation was inaccurate. We said the U.S. supports a diversification of pipelines, and its policy in Central Asia is neither anti-Russian nor driven by our domestic political calendar. However, every statement we made was greeted by a single cocked eyebrow that seemed to say, "are you kidding me?" END COMMENT.

CHINESE PIPELINE

¶6. (C) Demin said no one knows how much gas is in Turkmenistan, and only the future will show if there is enough to support the Chinese pipeline. He claimed the Turkmen had struck a deal with the Chinese only in order to strengthen their hand in gas negotiations with the Russians.

MORE SCHOOL PLACES FOR TURKMEN STUDENTS

¶7. (C) Demin confirmed that during the visit both sides had agreed on an additional 150 places for Turkmen students in Russian universities. While the slots are not limited to

engineering or studies directly linked to the oil and gas industry, he said Russia hoped through its exchange program to increase the cadre of qualified Turkmen specialists in the oil and gas area. He applauded Berdimuhamedov's emphasis on education and plans to improve the educational system that had been gutted by the former president, Niyazov. Demin said everyone knows Turkmenistani education under Niyazov was "awful." He also said American exchange programs were positive and offer real educational opportunities to Turkmen youth.

¶8. (C) Noting the still close ties between Russians and Turkmen, Demin said Russia would continue to promote cultural links, because there are people who still remembered the USSR. Those people speak Russian and have a natural affinity for Russia. It would be wrong to sever ties with them.

FUTURE AGREEMENTS?

¶9. (C) During Zubkov's visit it was announced that the two sides planned in the future to sign a packet of bilateral agreements. However, according to Demin, exactly what and exactly when was still under discussion. He said definitely no agreements would be signed this year. It is possible that something could be signed next year. Before then, however, it would be necessary for officials on both sides to fulfill what Berdimuhamedov and Zubkov had said publicly and work to come up with appropriate agreements. For now, it was too early to talk about anything.

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¶10. (C) COMMENT: It would be hard to know exactly how much of Demin's rant reflected his own personal view and how much reflected policy. Nevertheless, it would have been odd for him to have spent so much time offering what was only his opinion in what was an official meeting. In addition, a much junior Russian Embassy colleague, who also attended the meeting, nodded her head strenuously in agreement at everything he said. In any case, this probably gives us some insight into what the Russians tell the Turkmen about U.S. intentions in this region. END COMMENT.
CURRAN